Fundamentals of corporate finance assignment

Business

Introduction to corporate finance Corporate finance and the financial manager Corporate finance must be considered with three basic types of question: What long-term Investments to make 2. Where will we get the money for those investments from 3. How will we manage everyday financial activities 1.

What long-term investment to make: To process of planning and managing long-term investments is called capital getting Capital budgeting = the process of planning and managing a firm's long- term investments. Managers try to indemnify investment opportunities that are worth more than they cost to acquire. Capital budgeting involves evaluating the size, timing and risk of future cash flows. 2. Where will we get the money for those Investments from?

Capital structure ; the mixture of long-term debt and equity maintained by a firm Long-term debt = borrowing by the firm (Y 1 year) to finance its long-term investments Equity; r the amount of money raised by the firm that comes from the owners investment A manager has two concerns in this area: 1. What mixture of debt and equity is the best 2. What are the least expensive sources of funds for the firm? 3. How will we manage everyday financial activities?

Working capital = a firm's short-term assets and liabilities Managing the firm's working capital Is a day-Wade activity which ensures that the firm has sufficient sources to continue Its operations and avoid costly Interruptions. 1. 2 The goal of financial management Possible goals for for-profit organizations: Survive Avoid financial stress or bankruptcy Beat the competition Maximize sales or market share Minimize costs Maximize profits Maintain steady earnings growth Goals are or related to profitability or related to controlling risk. The goal of fallopian management is to maximize the current value per share of the